

# **M e m o r a n d u m**

**To:** Honorable Claude Parrish, Chair  
Honorable John Chiang  
Honorable Johan Klehs  
Honorable Dean Andal  
Honorable Kathleen Connell

**Date:** June 8, 2001

**From:** Timothy W. Boyer  
Chief Counsel

Richard C. Johnson, Deputy Director  
Property Taxes Department

**Subject:** *Property Tax Rule 305.3, Application for Equalization Under Revenue and Taxation Code Section 469*

During the Property Tax Committee meeting on May 30, 2001, Property Tax Rule 305.3, *Application for Equalization Under Revenue and Taxation Code Section 469*, was held over to the Board meeting in June. The rule has been placed on the Chief Counsel Matters agenda for June 21, 2001.

Interested parties were advised of the action taken by the Board and were given an opportunity to provide further comments and suggestions for alternative language for the rule. Attached are the comments that were received from interested parties.

Mr. Louis Ambrose, (916) 445-5580, is available to answer any questions you may have regarding Property Tax Rule 305.3.

TWB:RCJ:sk  
Attachment

cc: Mr. Bruce Tollner  
Mr. Steven M. Kamp  
Ms. Melanie Darling  
Mr. Jon Sperring  
Ms. Marcy Jo Mandel  
Mr. James E. Speed  
Mr. Lawrence A. Augusta  
Mr. David J. Gau  
Mr. Louis Ambrose

**PROPERTY TAX RULE 305.3**  
***Application for Equalization Under Revenue and Taxation Code Section 469***  
**ISSUE: Result of the Audit**

	<b>Staff Recommendation</b>	<b>California Assessors' Association, County Counsels' Association, California Association of Clerks and Election Officials:</b>	<b>Cal Tax</b>
Subsection (b)(2)	(2) "Property subject to an escape assessment" means any individual item of the assessee's property that, upon the final conclusion of the audit, the assessor has determined to have been underassessed or not assessed at all when the assessor made the original assessment of the assessee's property, and which has not been previously equalized by an appeals board, regardless of whether the assessor actually makes or enrolls an escape assessment. Property is subject to an escape assessment even if the audit results disclose an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment.	(2) "Property subject to an escape assessment" means any individual item of the assessee's property that, upon the final conclusion of the audit, the assessor has determined to have been underassessed or not assessed at all when the assessor made the original assessment of the assessee's property, and which has not been previously equalized by an appeals board, regardless of whether the assessor actually makes or enrolls an escape assessment. Property is subject to an escape assessment even if the audit results disclose an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment.	(2) "Property subject to an escape assessment" means any individual item of the assessee's property that, <del>upon the final conclusion of the audit, the assessor has determined to have been</del> <u>was</u> underassessed or not assessed at all when the assessor made the original assessment of the assessee's property, and which has not been previously equalized by an appeals board, regardless of whether the assessor actually makes or enrolls an escape assessment. Property is subject to an escape assessment even if the audit <del>results</del> <u>discloses</u> an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment. <u>If the audit discloses that any property was subject to an escape assessment, the assessor shall include that fact as a finding presented to the taxpayer as required by Rule 191. If no such finding is made by the assessor, the taxpayer may file an application and present evidence to the assessment appeals board of the existence and disclosure of property subject to escape assessment. If the board determines that property subject to escape assessment was disclosed as a result of an audit, the board shall permit the taxpayer's section 469 appeal.</u>

### ISSUE: Result of the Audit (Contd.)

	<b>Staff Recommendation</b>	<b>California Assessors' Association, County Counsels' Association, California Association of Clerks and Election Officials:</b>	<b>Cal Tax</b>
Subsection (b)(3)	(3) "Result of an audit" means the final conclusions reached by the assessor during the audit process as described in Rule 191 and shall include a description of any property subject to escape assessment.	(3) "Result of an audit" means the final conclusions reached by the assessor during the audit process as described in Rule 191 and shall include a description of any property subject to escape assessment.	(3) "Result of an audit" means the final conclusions reached by the assessor during the audit process as described in Rule 191 and shall include a description of any property subject to escape assessment <u>as noted in the audit work papers or as identified in writing by the taxpayer.</u>

### ISSUE: Property of the Assessee

	<b>Staff Recommendation</b>	<b>California Assessors' Association, County Counsels' Association, California Association of Clerks and Election Officials:</b>	<b>Cal Tax</b>
Subsection (b)(5)	Alternative language was submitted subsequent to the interested parties meeting. Analysis of the proposed language has not been made.	Alternative language was submitted subsequent to the interested parties meeting. Analysis of the proposed language has not been made.	(5) "All property of the assessee" means any property, real or personal, assessed to the assessee, <u>or the assessee's statutory or legal predecessor in interest,</u> at the location of the profession, trade, or business for the year of the audit.

## ISSUE: Property Previously Equalized

	Staff Recommendation	California Assessors' Association, County Counsels' Association, California Association of Clerks and Election Officials:	Cal Tax
Subsection (b)(7)	<p>Staff recommends that language on this issue should be added to the <i>Assessment Appeals Manual</i> and not be included in this rule.</p> <p><u>Staff Alternative:</u></p> <p>"Property that has been previously equalized for the year in question" means that the board has previously made a final determination of full value for property that was the subject of an appeals hearing or a stipulated agreement approved by the board. Property shall be deemed to have been previously equalized unless a hearing decision or stipulated agreement for the year in question specifically excludes that property as the subject of the hearing or stipulated agreement.</p>	<p>"Property that has been previously equalized for the year in question" means that the board has previously made a final determination of full value for property that was the subject of an appeals hearing or a stipulated agreement approved by the board. Property shall be deemed to have been previously equalized unless a hearing decision or stipulated agreement for the year in question specifically excludes that property as the subject of the hearing or stipulated agreement.</p>	<p>"Property that has been previously equalized for the year in question" means that the board has previously made a final determination of full value for <u>that item, category, or class of</u> property that was the subject of an <u>assessment</u> appeals hearing or <u>was the subject of</u> a stipulated agreement approved by the board. <u>An item, category, or class of</u> <del>Property, or</del> <u>portion thereof,</u> shall be deemed to have been <u>the subject of a hearing or of a stipulated agreement only to the extent the board's decision or the stipulated agreement specifically identify the value of such item, category, or class, or portion thereof, as previously equalized unless a hearing decision or stipulated agreement for the year in question specifically excludes that property as the subject of the hearing or stipulated agreement having been contested and resolved at hearing or as having been agreed to by the parties in a stipulation..</u></p>

## ISSUE: Property Previously Equalized (Continued)

	Staff Recommendation	California Assessors' Association, County Counsels' Association, California Association of Clerks and Election Officials:	Cal Tax
Subsection (e)	Alternative language was submitted subsequent to the interested parties meeting. Analysis of the proposed language has not been made.	Alternative language was submitted subsequent to the interested parties meeting. Analysis of the proposed language has not been made.	<p>(e) EXAMPLES. The following examples are illustrative of the foregoing criteria. Examples 1 and 2 concern "who may file" an application on the assessee's property. Examples 3, 4, and 5 clarify the "location of the profession, trade, or business. <u>Examples 6 and 7 illustrate when property has or has not been "previously equalized" for the year in question.</u></p> <p><u>Example 6: Taxpayer files an application under Section 1603 and the hearing is held by the assessment appeals board. At the hearing, the taxpayer presents evidence regarding the trending table for personal computers. The board makes a determination on the trending table and its effect on the values of the personal computers, but does not address any other issue concerning the value of the personal computers or any issues concerning other types of property. In a subsequent audit of the same year, the county is not precluded from auditing other issues concerning personal computers (such as whether such computers were within or without the county) or other types of property, such as mid-range computers and machinery and equipment, and the taxpayer is not precluded from seeking Section 469 relief as to them.</u></p>

## ISSUE: Property Previously Equalized (Continued)

	<b>Staff Recommendation</b>	<b>California Assessors' Association, County Counsels' Association, California Association of Clerks and Election Officials:</b>	<b>Cal Tax</b>
Subsection (e)	Alternative language was submitted subsequent to the interested parties meeting. Analysis of the proposed language has not been made.	Alternative language was submitted subsequent to the interested parties meeting. Analysis of the proposed language has not been made.	<u>Example 7: Taxpayer files an application under Section 1603 and the hearing is held by the assessment appeals board. At the hearing, the taxpayer presents evidence that one asset, leasehold improvements on the fourth floor of an office building, has been double-assessed (e.g., counted twice in a personal property or enrolled as both personal and real property). The board makes a determination on the disputed asset and rules accordingly. In a subsequent audit of the same year, taxpayer presents evidence of other assets that were double-assessed in the same asset category, i.e., leasehold improvements on the sixth floor. Since the board at the hearing did not specifically consider these other leasehold improvements, the county is not precluded from auditing such other leasehold improvements, and the taxpayer is not precluded from seeking Section 469 relief as to them.</u>

**RULE 305.3. APPLICATION FOR EQUALIZATION UNDER REVENUE AND  
TAXATION CODE SECTION 469**

*Reference:* Sections 23, 408, 469, 531, 531.8, 533, 534, 1603, 1605, Revenue and Taxation Code.

**(a) GENERAL.** In addition to any rights of appeal of escape or supplemental assessments as described in Rule 305(d)(2) of this subchapter, if the result of an audit discloses property subject to an escape assessment for any year covered by the audit, then, pursuant to section 1605 of the Revenue and Taxation Code, an application may be filed for review, equalization, and adjustment of the original assessment of all property of the assessee at the location of the profession, trade, or business for that year, except any property that has previously been equalized for the year in question.

**(b) DEFINITIONS.** For purposes of subsection (a) of this regulation:

(1) "Audit" means any audit of the books and records of a taxpayer engaged in a profession, trade, or business who owns, claims, possesses, or controls locally assessable business tangible personal property and trade fixtures within the county that have a full value in excess of the amount set forth in section 469 of the Revenue and Taxation Code. For a multi-year audit, only those years that are equal to or in excess of the full value threshold of section 469 are eligible for equalization pursuant to subsection (a) of this rule.

(2) "Property subject to an escape assessment" means any individual item of the assessee's property that, upon the final conclusion of the audit, the assessor has determined to have been underassessed or not assessed at all when the assessor made the original assessment of the assessee's property, and which has not been previously equalized by an appeals board, regardless of whether the assessor actually makes or enrolls an escape assessment. Property is subject to an escape assessment even if the audit results disclose an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment.

(3) "Result of an audit" means the final conclusions reached by the assessor during the audit process as described in Rule 191 and shall include a description of any property subject to escape assessment.

(4) "Original assessment" means the assessment and any subsequent roll corrections or roll changes prior to the date of the commencement of the audit for the roll year for which the result of the audit discloses property subject to an escape assessment.

(5) "All property of the assessee" means any property, real or personal, assessed to the assessee at the location of the profession, trade, or business for the year of the audit.

(6) "Location of the profession, trade, or business" means a site, as determined by the board, where the property subject to the escape assessment is located. Site includes all property within the same appraisal unit as the property that is subject to escape assessment. Site also includes other property not within the same appraisal unit as the property that is subject to escape assessment, when the other property and the property that escaped assessment function as part of the same economic unit of the profession, trade, or business. A "location of the profession, trade,

## ***LANGUAGE SUPPORTED BY: Board Staff***

or business" may include multiple parcels of real property, noncontiguous parcels, parcels with separate addresses, and parcels in separate revenue districts within the county.

**(c) NOTICE OF AUDIT RESULTS.** Upon completion of an audit of the assessee's books and records, the assessor shall notify the assessee in writing of the results of the audit as defined in subsection (b)(3) of this rule for all property, locations, and years that were the subject of the audit. At the request of the assessee, the assessor shall permit the assessee or his or her designated representative to inspect or copy any information, documents, or records relating to the audit in accordance with the provisions of Revenue and Taxation Code section 408.

**(d) NOTICE FOR FILING AN APPLICATION.** An application shall be filed with the clerk no later than 60 days after the date of mailing by which the assessee is notified that the result of the audit has disclosed property subject to escape assessment. The notice shall be mailed to the assessee by regular United States mail directed to the assessee at the assessee's latest address known to the assessor, unless, prior to the mailing of the notice, the assessor is notified in writing by the assessee of a change in address. The notice for purposes of filing an application shall be one of the following, depending upon the conclusion(s) of the audit:

(1) Where an escape assessment is enrolled by the assessor, the notice shall be the tax bill based upon the results of the audit and resulting escape assessment(s) for counties of the first class or any county that has adopted a resolution pursuant to Revenue and Taxation Code section 1605, subdivision (c). If the county is not a county of the first class or has not adopted a resolution pursuant to Revenue and Taxation Code section 1605, subdivision (c), the notice of escape assessment pursuant to Revenue and Taxation Code section 534 shall serve as the notice.

(2) Where the assessor does not enroll an escape assessment resulting from the audit or when the escape assessment is enrolled but offset pursuant to Revenue and Taxation Code section 533, the assessor's written notification of the audit results for the property, locations, and each year that were the subject of the audit as described in subsection (c) of this rule shall be the notice. The notice of audit results showing property subject to escape assessment for each year shall indicate that it is the notice of the assessee's right to file an application.

**(e) EXAMPLES.** The following examples are illustrative of the foregoing criteria. Examples 1 and 2 concern "who may file" an application on the assessee's property. Examples 3, 4, and 5 clarify the "location" of the profession, trade, or business.

Example 1: Taxpayer DRK owns and is assessed for land, a building, and business property. The full value of the business tangible personal property and trade fixtures exceeds the dollar threshold in Revenue and Taxation Code section 469. DRK leases the entire business to RCJ. The county assessor conducts an audit of DRK pursuant to section 469, and the result of the audit discloses property subject to an escape assessment. DRK, as the assessee, can file an application for equalization for all property, real and personal, where the property subject to the escape assessment is located. In addition, RCJ may file an application for equalization of DRK's property if RCJ qualifies as a person affected pursuant to rule 302 of this subchapter.

Example 2: Taxpayer DRK owns and is assessed for land and a building. DRK leases the land and building to RCJ. RCJ operates a business in DRK's building and is assessed for business tangible personal property and trade fixtures with a full value that exceeds the dollar threshold in Revenue and Taxation Code section 469. The county assessor conducts an audit of



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RCJ pursuant to section 469, and the result of the audit discloses property subject to an escape assessment. RCJ, as the assessee, can file an application for equalization on his personal property and trade fixtures only. RCJ cannot file an application on DRK's land and building as this is not property of the assessee. In addition, since DRK is not a person affected pursuant to rule 302 of the subchapter, he cannot file an application on either his land and building or RCJ's personal property and fixtures.

Example 3: An assessee conducts a profession, trade, or business on a campus-like setting that is composed of three separate buildings. Each building has its own address and assessor's parcel number and is owned and operated by the same assessee. If an audit discloses any property subject to an escape assessment, then all property of the assessee on the campus is eligible for equalization if the board determines that it functions and is operated as one economic unit of a profession, trade, or business.

Example 4: An assessee operates five grocery stores in a county. Although the stores are owned and operated by one assessee, carry the same type of merchandise, and share in common advertising, each store operates independently. If property subject to an escape assessment is discovered only at one store, the property at that store's location is subject to equalization following an audit. The other four stores are not considered property at the site of the profession, trade, or business where the escape assessment occurred, as they operate independently as separate economic units.

Example 5: An assessee owns and operates a department store with a parking garage on an adjacent parcel. The parcel that houses the parking garage has no personal property or fixtures located on it. If an audit discloses personal property subject to an escape assessment for the department store, the parking garage would also be eligible for equalization if the board determines that the parcels with the garage and the store are part of the same appraisal unit or economic unit of the profession, trade, or business.

**(f) JURISDICTION OF THE BOARD.** Nothing in this rule shall be interpreted to limit or enlarge a board's jurisdiction under specific statutory provisions or other rules of this subchapter.

***LANGUAGE SUPPORTED BY: Assessors' Association, County Counsels' Association, Association of Clerks and Election Officials***

**RULE 305.3. APPLICATION FOR EQUALIZATION UNDER REVENUE AND TAXATION CODE SECTION 469**

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**(a) GENERAL.** In addition to any rights of appeal of escape or supplemental assessments as described in Rule 305(d)(2) of this subchapter, if the result of an audit discloses property subject to an escape assessment for any year covered by the audit, then, pursuant to section 1605 of the Revenue and Taxation Code, an application may be filed for review, equalization, and adjustment of the original assessment of all property of the assessee at the location of the profession, trade, or business for that year, except any property that has previously been equalized for the year in question.

**(b) DEFINITIONS.** For purposes of subsection (a) of this regulation:

(1) "Audit" means any audit of the books and records of a taxpayer engaged in a profession, trade, or business who owns, claims, possesses, or controls locally assessable business tangible personal property and trade fixtures within the county that have a full value in excess of the amount set forth in section 469 of the Revenue and Taxation Code. For a multi-year audit, only those years that are equal to or in excess of the full value threshold of section 469 are eligible for equalization pursuant to subsection (a) of this rule.

(2) "Property subject to an escape assessment" means any individual item of the assessee's property that, upon the final conclusion of the audit, the assessor has determined to have been underassessed or not assessed at all when the assessor made the original assessment of the assessee's property, and which has not been previously equalized by an appeals board, regardless of whether the assessor actually makes or enrolls an escape assessment. Property is subject to an escape assessment even if the audit results disclose an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment.

(4) "Result of an audit" means the final conclusions reached by the assessor during the audit process as described in Rule 191 and shall include a description of any property subject to escape assessment.

(4) "Original assessment" means the assessment and any subsequent roll corrections or roll changes prior to the date of the commencement of the audit for the roll year for which the result of the audit discloses property subject to an escape assessment.

(5) "All property of the assessee" means any property, real or personal, assessed to the assessee at the location of the profession, trade, or business for the year of the audit.

(6) "Location of the profession, trade, or business" means a site, as determined by the board, where the property subject to the escape assessment is located. Site includes all property within the same appraisal unit as the property that is subject to escape assessment. Site also includes other property not within the same appraisal unit as the property that is subject to escape assessment, when the other property and the property that escaped assessment function as part of

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the same economic unit of the profession, trade, or business. A "location of the profession, trade, or business" may include multiple parcels of real property, noncontiguous parcels, parcels with separate addresses, and parcels in separate revenue districts within the county.

(7) "Property that has been previously equalized for the year in question" means that the board has previously made a final determination of full value for property that was the subject of an appeals hearing or a stipulated agreement approved by the board. Property shall be deemed to have been previously equalized unless a hearing decision or stipulated agreement for the year in question specifically excludes that property as the subject of the hearing or stipulated agreement.

**(c) NOTICE OF AUDIT RESULTS.** Upon completion of an audit of the assessee's books and records, the assessor shall notify the assessee in writing of the results of the audit as defined in subsection (b)(3) of this rule for all property, locations, and years that were the subject of the audit. At the request of the assessee, the assessor shall permit the assessee or his or her designated representative to inspect or copy any information, documents, or records relating to the audit in accordance with the provisions of Revenue and Taxation Code section 408.

**(d) NOTICE FOR FILING AN APPLICATION.** An application shall be filed with the clerk no later than 60 days after the date of mailing by which the assessee is notified that the result of the audit has disclosed property subject to escape assessment. The notice shall be mailed to the assessee by regular United States mail directed to the assessee at the assessee's latest address known to the assessor, unless, prior to the mailing of the notice, the assessor is notified in writing by the assessee of a change in address. The notice for purposes of filing an application shall be one of the following, depending upon the conclusion(s) of the audit:

(1) Where an escape assessment is enrolled by the assessor, the notice shall be the tax bill based upon the results of the audit and resulting escape assessment(s) for counties of the first class or any county that has adopted a resolution pursuant to Revenue and Taxation Code section 1605, subdivision (c). If the county is not a county of the first class or has not adopted a resolution pursuant to Revenue and Taxation Code section 1605, subdivision (c), the notice of escape assessment pursuant to Revenue and Taxation Code section 534 shall serve as the notice.

(2) Where the assessor does not enroll an escape assessment resulting from the audit or when the escape assessment is enrolled but offset pursuant to Revenue and Taxation Code section 533, the assessor's written notification of the audit results for the property, locations, and each year that were the subject of the audit as described in subsection (c) of this rule shall be the notice. The notice of audit results showing property subject to escape assessment for each year shall indicate that it is the notice of the assessee's right to file an application.

**(e) EXAMPLES.** The following examples are illustrative of the foregoing criteria. Examples 1 and 2 concern "who may file" an application on the assessee's property. Examples 3, 4, and 5 clarify the "location" of the profession, trade, or business.

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for equalization for all property, real and personal, where the property subject to the escape assessment is located. In addition, RCJ may file an application for equalization of DRK's property if RCJ qualifies as a person affected pursuant to rule 302 of this subchapter.

Example 2: Taxpayer DRK owns and is assessed for land and a building. DRK leases the land and building to RCJ. RCJ operates a business in DRK's building and is assessed for business tangible personal property and trade fixtures with a full value that exceeds the dollar threshold in Revenue and Taxation Code section 469. The county assessor conducts an audit of RCJ pursuant to section 469, and the result of the audit discloses property subject to an escape assessment. RCJ, as the assessee, can file an application for equalization on his personal property and trade fixtures only. RCJ cannot file an application on DRK's land and building as this is not property of the assessee. In addition, since DRK is not a person affected pursuant to rule 302 of the subchapter, he cannot file an application on either his land and building or RCJ's personal property and fixtures.

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Example 5: An assessee owns and operates a department store with a parking garage on an adjacent parcel. The parcel that houses the parking garage has no personal property or fixtures located on it. If an audit discloses personal property subject to an escape assessment for the department store, the parking garage would also be eligible for equalization if the board determines that the parcels with the garage and the store are part of the same appraisal unit or economic unit of the profession, trade, or business.

**(f) JURISDICTION OF THE BOARD.** Nothing in this rule shall be interpreted to limit or enlarge a board's jurisdiction under specific statutory provisions or other rules of this subchapter.

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**(a) GENERAL.** In addition to any rights of appeal of escape or supplemental assessments as described in Rule 305(d)(2) of this subchapter, if the result of an audit discloses property subject to an escape assessment for any year covered by the audit, then, pursuant to section 1605 of the Revenue and Taxation Code, an application may be filed for review, equalization, and adjustment of the original assessment of all property of the assessee at the location of the profession, trade, or business for that year, except any property that has previously been equalized for the year in question.

**(b) DEFINITIONS.** For purposes of subsection (a) of this regulation:

(1) "Audit" means any audit of the books and records of a taxpayer engaged in a profession, trade, or business who owns, claims, possesses, or controls locally assessable business tangible personal property and trade fixtures within the county that have a full value in excess of the amount set forth in section 469 of the Revenue and Taxation Code. For a multi-year audit, only those years that are equal to or in excess of the full value threshold of section 469 are eligible for equalization pursuant to subsection (a) of this rule.

(2) "Property subject to an escape assessment" means any individual item of the assessee's property that, ~~upon the final conclusion of the audit, the assessor has determined to have been~~ was underassessed or not assessed at all when the assessor made the original assessment of the assessee's property, and which has not been previously equalized by an appeals board, regardless of whether the assessor actually makes or enrolls an escape assessment. Property is subject to an escape assessment even if the audit ~~results~~ discloses an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment. If the audit discloses that any property was subject to an escape assessment, the assessor shall include that fact as a finding presented to the taxpayer as required by Rule 191. If no such finding is made by the assessor, the taxpayer may file an application and present evidence to the assessment appeals board of the existence and disclosure of property subject to escape assessment. If the board determines that property subject to escape assessment was disclosed as a result of an audit, the board shall permit the taxpayer's section 469 appeal.

(5) "Result of an audit" means the final conclusions reached by the assessor during the audit process as described in Rule 191 and shall include a description of any property subject to escape assessment as noted in the audit work papers or as identified in writing by the taxpayer.

(4) "Original assessment" means the assessment and any subsequent roll corrections or roll changes prior to the date of the commencement of the audit for the roll year for which the result of the audit discloses property subject to an escape assessment.

(5) "All property of the assessee" means any property, real or personal, assessed to the assessee, or the assessee's statutory or legal predecessor in interest, at the location of the profession, trade, or business for the year of the audit.

## ***LANGUAGE SUPPORTED BY: Cal Tax***

(6) "Location of the profession, trade, or business" means a site, as determined by the board, where the property subject to the escape assessment is located. Site includes all property within the same appraisal unit as the property that is subject to escape assessment. Site also includes other property not within the same appraisal unit as the property that is subject to escape assessment, when the other property and the property that escaped assessment function as part of the same economic unit of the profession, trade, or business. A "location of the profession, trade, or business" may include multiple parcels of real property, noncontiguous parcels, parcels with separate addresses, and parcels in separate revenue districts within the county.

(7) "Property that has been previously equalized for the year in question" means that the board has previously made a final determination of full value for that item, category, or class of property that was the subject of an assessment appeals hearing or was the subject of a stipulated agreement approved by the board. An item, category, or class of property, or portion thereof, shall be deemed to have been the subject of a hearing or of a stipulated agreement only to the extent the board's decision or the stipulated agreement specifically identify the value of such item, category, or class, or portion thereof, as having been contested and resolved at hearing or as having been agreed to by the parties in a stipulation.

**(c) NOTICE OF AUDIT RESULTS.** Upon completion of an audit of the assessee's books and records, the assessor shall notify the assessee in writing of the results of the audit as defined in subsection (b)(3) of this rule for all property, locations, and years that were the subject of the audit. At the request of the assessee, the assessor shall permit the assessee or his or her designated representative to inspect or copy any information, documents, or records relating to the audit in accordance with the provisions of Revenue and Taxation Code section 408.

**(d) NOTICE FOR FILING AN APPLICATION.** An application shall be filed with the clerk no later than 60 days after the date of mailing by which the assessee is notified that the result of the audit has disclosed property subject to escape assessment. The notice shall be mailed to the assessee by regular United States mail directed to the assessee at the assessee's latest address known to the assessor, unless, prior to the mailing of the notice, the assessor is notified in writing by the assessee of a change in address. The notice for purposes of filing an application shall be one of the following, depending upon the conclusion(s) of the audit:

(1) Where an escape assessment is enrolled by the assessor, the notice shall be the tax bill based upon the results of the audit and resulting escape assessment(s) for counties of the first class or any county that has adopted a resolution pursuant to Revenue and Taxation Code section 1605, subdivision (c). If the county is not a county of the first class or has not adopted a resolution pursuant to Revenue and Taxation Code section 1605, subdivision (c), the notice of escape assessment pursuant to Revenue and Taxation Code section 534 shall serve as the notice.

(2) Where the assessor does not enroll an escape assessment resulting from the audit or when the escape assessment is enrolled but offset pursuant to Revenue and Taxation Code section 533, the assessor's written notification of the audit results for the property, locations, and each year that were the subject of the audit as described in subsection (c) of this rule shall be the notice. The notice of audit results showing property subject to escape assessment for each year shall indicate that it is the notice of the assessee's right to file an application.

**(e) EXAMPLES.** The following examples are illustrative of the foregoing criteria. Examples 1 and 2 concern "who may file" an application on the assessee's property. Examples 3, 4, and 5

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clarify the "location" of the profession, trade, or business. Examples 6 and 7 illustrate when property has or has not been "previously equalized" for the year in question.

Example 1: Taxpayer DRK owns and is assessed for land, a building, and business property. The full value of the business tangible personal property and trade fixtures exceeds the dollar threshold in Revenue and Taxation Code section 469. DRK leases the entire business to RCJ. The county assessor conducts an audit of DRK pursuant to section 469, and the result of the audit discloses property subject to an escape assessment. DRK, as the assessee, can file an application for equalization for all property, real and personal, where the property subject to the escape assessment is located. In addition, RCJ may file an application for equalization of DRK's property if RCJ qualifies as a person affected pursuant to rule 302 of this subchapter.

Example 2: Taxpayer DRK owns and is assessed for land and a building. DRK leases the land and building to RCJ. RCJ operates a business in DRK's building and is assessed for business tangible personal property and trade fixtures with a full value that exceeds the dollar threshold in Revenue and Taxation Code section 469. The county assessor conducts an audit of RCJ pursuant to section 469, and the result of the audit discloses property subject to an escape assessment. RCJ, as the assessee, can file an application for equalization on his personal property and trade fixtures only. RCJ cannot file an application on DRK's land and building as this is not property of the assessee. In addition, since DRK is not a person affected pursuant to rule 302 of the subchapter, he cannot file an application on either his land and building or RCJ's personal property and fixtures.

Example 3: An assessee conducts a profession, trade, or business on a campus-like setting that is composed of three separate buildings. Each building has its own address and assessor's parcel number and is owned and operated by the same assessee. If an audit discloses any property subject to an escape assessment, then all property of the assessee on the campus is eligible for equalization if the board determines that it functions and is operated as one economic unit of a profession, trade, or business.

Example 4: An assessee operates five grocery stores in a county. Although the stores are owned and operated by one assessee, carry the same type of merchandise, and share in common advertising, each store operates independently. If property subject to an escape assessment is discovered only at one store, the property at that store's location is subject to equalization following an audit. The other four stores are not considered property at the site of the profession, trade, or business where the escape assessment occurred, as they operate independently as separate economic units.

Example 5: An assessee owns and operates a department store with a parking garage on an adjacent parcel. The parcel that houses the parking garage has no personal property or fixtures located on it. If an audit discloses personal property subject to an escape assessment for the department store, the parking garage would also be eligible for equalization if the board determines that the parcels with the garage and the store are part of the same appraisal unit or economic unit of the profession, trade, or business.

Example 6: Taxpayer files an application under Section 1603 and the hearing is held by the assessment appeals board. At the hearing, the taxpayer presents evidence regarding the trending table for personal computers. The board makes a determination on the trending table and its effect on the values of the personal computers, but does not address any other issue concerning

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the value of the personal computers or any issues concerning other types of property. In a subsequent audit of the same year, the county is not precluded from auditing other issues concerning personal computers (such as whether such computers were within or without the county) or other types of property, such as mid-range computers and machinery and equipment, and the taxpayer is not precluded from seeking Section 469 relief as to them.

Example 7: Taxpayer files an application under Section 1603 and the hearing is held by the assessment appeals board. At the hearing, the taxpayer presents evidence that one asset, leasehold improvements on the fourth floor of an office building, has been double-assessed (e.g., counted twice in a personal property or enrolled as both personal and real property). The board makes a determination on the disputed asset and rules accordingly. In a subsequent audit of the same year, taxpayer presents evidence of other assets that were double-assessed in the same asset category, i.e., leasehold improvements on the sixth floor. Since the board at the hearing did not specifically consider these other leasehold improvements, the county is not precluded from auditing such other leasehold improvements, and the taxpayer is not precluded from seeking Section 469 relief as to them.

**(f) JURISDICTION OF THE BOARD.** Nothing in this rule shall be interpreted to limit or enlarge a board's jurisdiction under specific statutory provisions or other rules of this subchapter.